

December 17, 2012

DUNCAN CAMPBELL
Executive Director, UCSD Medical Group
8201

CHRISTY WENGER
Associate Administrator, UCSD Health System
0658

**Subject: *UCSDHS – San Diego Cancer Center Business Operations Review
Audit Project 2012-17***

The final audit report for UCSDHS San Diego Cancer Center Business Operations Review, Audit Report 2012-17, is attached. We would like to thank all members of the UCSDHS-SDCC Management team and staff for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken in response to the audit recommendations, a formal response to the report is not requested.

The findings included in this report will be added to our follow-up system. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

UC wide policy requires that all draft audit reports, both printed and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel, or destroy them. AMAS also requests that draft reports not be photocopied or otherwise redistributed.

Terri Buchanan
Interim Assistant Vice Chancellor
Audit & Management Advisory Services

Attachment

cc: M. Baggett
 C. Basonia
 D. Brenner
 M. Colmenar
 P. Craig
 L. Donaldson
 T. Gaines
 C. Garcia
 D. Larson
 G. Matthews
 T. McAfee
 M. Reynolds
 S. Vacca
 P. Viviano

UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

**UCSD Health System - San Diego Cancer Center
Business Operations Review
December 2012**

Performed By:

Gabor Herman, Auditor
Laurie Ward, Auditor

Approved By:

Terri Buchanan, Interim Assistant Vice Chancellor

Project Number: 2012-17

*UCSDHS– San Diego Cancer Center Business Operations Review
Audit & Management Advisory Services Project 2012-17*

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Executive Summary

Audit & Management Advisory Services (AMAS) has completed a review of the University of California San Diego Health System (UCSDHS) San Diego Cancer Center (SDCC) as part of the approved audit plan for Fiscal Year 2011-12.

The objectives of our review were to evaluate compliance with the terms of the SDCC purchase agreement and the Management Services Agreement (MSA); and to review SDCC business operations to determine whether controls provided reasonable assurance that financial transactions were accurate, and operations were effective.

Based on our review procedures, we concluded that SDCC business process controls provided reasonable assurance that financial transactions were accurately reported and operations were effective. SDCC staff appeared to have a good working knowledge of internal controls and how they should be implemented. In addition, many of the staff were cross trained, which enabled operations to continue during staff absences. However, daily transaction and reconciliation processes were not as efficient as they could have been due to the continued reliance on Medical Group of North County, Inc. (MGNC) systems for processing SDCC transactions, which required manual reconciliation and reallocation of revenue and expenses to UCSDHS pending the implementation of UCSDHS processes and systems.

From an organizational perspective, we also noted that the basic terms of the purchase agreement were met. This was the first UCSDHS clinical practice acquisition in a number of years, and the UCSDHS management team involved in negotiations collaborated with University of California (UC) General Council to include terms and conditions required by UC and the School of Medicine, as well as others that would facilitate the business transition. However, we identified several opportunities to improve contract content for consideration when preparing similar agreements in the future.

UCSDHS management convened several groups that met regularly to oversee the implementation of infrastructure changes needed to transition SDCC to the UCSDHS operating model; and those groups were effective in planning facility modifications and system implementations in addition to monitoring the practice financial status. Management also assigned a UCSDHS Moores Cancer Center MSO (MCC MSO) with experience in oncology clinic operations to provide on-site support to the UCSDHS Associate Administrator (who remained the primary contact for clinical operations and business issues) and other University of California, San Diego (UCSD) departments. However, based on the information obtained during the review, it did not appear that the MCC MSO's scope of authority extended to all SDCC clinic operations and business transactions that were not processed through MGNC systems. Had the MCC MSO been designated the authority to coordinate and implement UCSDHS financial and operational policies and processes; it is likely that identified instances of UC and UCSDHS policy non-compliance would not have occurred. *Attachment A* provides a summary of audit

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findings and agreed upon management corrective actions associated with non-compliance with UC or UCSDHS policies in the following areas:

- *A/R*
- *Cash Management*
- *Credit Card Statements*
- *Vendor Relations*
- *Marketing/Outreach expense*
- *Chemotherapy Drug Administration and*
- *Medical Assistant Scope of Practice*

Management has agreed to implement corrective actions to further improve SDCC operations and the coordination of future medical practice integration projects.

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I. Background

Audit & Management Advisory Services (AMAS) has completed a review of the University of California San Diego Health System (UCSDHS) San Diego Cancer Center as part of the approved audit plan for Fiscal Year 2011-12. This report summarizes the results of our review.

In accordance with the University of California, San Diego (UCSD) Medical Group Strategic Plan, UCSDHS sought to identify opportunities to expand its clinical capacity for delivering state-of-the-art patient care in selected medical specialties. To help achieve that goal, the University of California (UC) Regents, on behalf of UCSDHS entered into an agreement to purchase the assets of the San Diego Cancer Centers Medical Group, Inc. (SDCC) from Medical Group of North County, Inc. (MGNC). The agreement was signed on January 24, 2011. The SDCC is a medical practice specializing in oncology services; and was described as using a comprehensive approach to cancer treatment. Selected patient cases are reviewed weekly by a Board that includes the treating Oncologist, Surgeon, Radiologist, and the key support staff prior to making treatment decisions.

As condition of the purchase, five SDCC physicians accepted UC San Diego faculty appointments effective February 7, 2011.

UCSDHS also entered into a Management Services Agreement (MSA) with MGNC to continue to manage daily SDCC operations. The MSA allowed the practice to provide uninterrupted patient care and allowed UCSDHS management time to implement University policies, procedures and systems in SDCC clinics. The original MSA was signed on February 4, 2011, and it was renewed on February 6, 2012.

SDCC services are provided in two outpatient clinics located in Vista and Encinitas. The purchase agreement provided that UCSDHS would assume the property lease for the Vista location, and purchase the building in which the Encinitas practice operates. The Encinitas building also houses the UCSDHS Multi-Specialty Clinic including: Orthopedic Surgery Clinic¹, Surgery Clinics, Radiation/Oncology and Concierge Medicine Clinic². In addition to the SDCC practice, a group of six non-UCSD internal medicine physicians occupy space in the Vista building.

From January 2011 through June 2012, a number of departments have assisted with integrating SDCC operations into the UCSDHS including:

¹ Orthopaedic Surgery Clinic services are provided by seven UCSDHS Orthopaedic Surgeons. Operations are managed by the MGNC.

² UCSDHS Concierge Medicine is a primary care practice that provides patient-centered care options. Patients are charged an annual fee which provides them with access to certain amenities including 24/7 physician access via teleconference, e-mail or videoconferencing; appointments on the same day or next business day, same-day laboratory test results, coordination of specialty and/or hospital care; and house calls when needed. The Concierge practice is also managed by MGNC.

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- UCSDHS Cancer Center Clinical Operations, to evaluate patient workflows, medical personnel scopes of practice; and provide training when required;
- Administrative Services, to upgrade the SDCC Encinitas facility to comply with hospital licensing standards;
- Information Services, to extend the UCSDHS network to SDCC;
- The UCSDHS Epic Team, to coordinate the Epic implementation at SDCC, which is scheduled for October 2012;
- Pharmacy Administration, to implement UCSDHS standards in SDCC pharmacies;
- Health Sciences Compliance Office, to conduct a billing review of professional fees; and,
- Health Sciences Marketing and Development, to assist in developing a community outreach program.

On July 1, 2012, 50 SDCC support staff became UCSDHS employees. The chart below provides details about the UCSDHS percentage of employment for these staff members.

Job Titles	Percentage of UCSD Employment	Number of Staff	TOTAL Staff
<i>RN</i>	80% / 50% / 49%	8 / 2 / 1	11
<i>Administrative Nurse II</i>	100%	1	1
<i>Nurse Practitioner</i>	80%	1	1
<i>Physician Assistant</i>	80%	1	1
<i>Medical Assistant</i>	80%	12	12
<i>Phlebotomist</i>	80%	2	2
<i>Pharmacy Technicians</i>	100%	3	3
<i>Hospital Assistant III</i>	80%	4	4
<i>Administrative Assistant I (AA I)</i>	100%	10	10
<i>AA III Supervisor</i>	100%	1	1
<i>Administrative Analyst & Supervisor</i>	100%	2	2
<i>Administrative Assistant</i>	100%	1	1
<i>Management Service Officer I (MSO I) and MSO IV</i>	100%	2	2
Total Employees			50

II. Audit Objectives, Scope, and Procedures

The objectives of our review were to evaluate compliance with the terms of the SDCC purchase agreement and the MSA; and to review SDCC business operations to determine whether controls provided reasonable assurance that financial transactions were accurate, and operations were effective.

We completed the following procedures to achieve the project objectives:

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- Reviewed and abstracted the SDCC purchase agreement;
- Reviewed applicable UC, UCSD and UCSDHS Medical Center Policies (MCPs);
- Interviewed UCSDHS management in multiple departments including the Moores Cancer Center Clinics, the UCSD Medical Group, Administrative Services, Outpatient Pharmacy; Health Information Services; Health Sciences Compliance; UCSD Marketing and Development, Health Sciences Human Resources (HR), School of Medicine (SOM) and the Epic Team;
- Interviewed the SDCC Management Services Officer (SDCC MSO);
- Interviewed the Moores Cancer Center Clinic Administrator/MSO (MCC MSO);
- Interviewed the MGNC Chief Financial Officer/Chief Operations Officer;
- Toured the SDCC Encinitas and Vista facilities;
- Analyzed the MGNC MSA and evaluated overall compliance with the terms of the agreement;
- Inspected business licenses and validated staff professional licenses;
- Reviewed the MGNC liability insurance certificate and secured other certificates of insurance;
- Validated UCSDHS malpractice insurance certificates for SDCC Oncologists;
- Evaluated San Diego County business licensing requirements;
- Reviewed SDCC patient and staff safety guidelines and the scope of practice of medical support staff;
- Verified the data generated and/or retained in SDCC computer systems;
- Evaluated SDCC processes for ensuring that HIPAA privacy standards are met;
- Reviewed payroll time reporting and processing controls;
- Assessed cashiering and petty cash management procedures;
- Evaluated charge capture and A/R management process controls;
- Reviewed A/R reports provided to UCSDHS management;
- Performed detailed testing of selected A/R, supplies expense, payroll and cash transactions;
- Evaluated drug inventory management and storage procedures;
- Analyzed the financial report compilation process; and
- Analyzed the UCSDHS Compliance billing review completed for physicians at the Encinitas location in the first quarter of Fiscal Year 2012.

The scope of this review did not include UCSDHS Multi-Specialty Clinic operations or a focused review of the MGNC Medical Manager system.

III. Conclusion

Based on our review procedures, we concluded that SDCC business process controls provided reasonable assurance that financial transactions were accurately reported and operations were effective. SDCC staff appeared to have a good working knowledge of internal controls and how they should be implemented. In addition, many of the staff were cross trained, which enabled operations to continue during staff absences.

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However, daily transaction and reconciliation processes were not as efficient as they could have been due to the planned continued reliance on MGNC systems for processing SDCC transactions, which required manual reconciliation and reallocation of revenue and expenses pending the implementation of UCSDHS processes and systems.

From an organizational perspective, we also noted that the basic terms of the purchase agreement were met. This was the first UCSDHS clinical practice acquisition in a number of years. The UCSDHS management team involved in negotiations collaborated with UC General Council to include terms and conditions required by UC and the SOM, as well as others that would facilitate the business transition. However, we identified several opportunities to improve contract content for consideration when preparing similar agreements in the future.

UCSDHS management convened several groups that met regularly to oversee the implementation of infrastructure changes needed to transition SDCC to the UCSDHS operating model. Those groups were effective in planning facility modifications and system implementations in addition to monitoring the practice financial status. Management also assigned a MCC MSO with experience in Oncology clinic operations to provide on-site support to the UCSDHS Associate Administrator (who remained the primary contact for clinic operations and business issues), and other UCSD departments. However, based on the information obtained during the review, it did not appear that the MCC MSO's scope of authority extended to all SDCC clinic operations, and business practices that were not processed through MGNC systems. Had the MCC MSO been designated the authority to coordinate and implement UCSDHS financial and operational policies and processes; it is likely that identified instances of UC and UCSDHS policy non-compliance would not have occurred. ***Attachment A*** provides a summary of audit findings and agreed upon management corrective actions associated with non-compliance with UC or UCSDHS policies in the following areas:

- *A/R*
- *Cash Management*
- *Credit Card Statements*
- *Vendor Relations*
- *Marketing/Outreach expense*
- *Chemotherapy Drug Administration and*
- *Medical Assistant Scope of Practice*

Opportunities to further improve SDCC operations and the coordination of future medical practice integration projects are discussed in the remainder of this report.

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IV. Observations and Management Corrective Actions

A. Contract Terms and Execution

1. Agreements

We identified terms not included in the purchase agreement and inconsistent information the MSA.

Purchase Contract

We noted that the purchase contract did not include terms that discussed the anticipated disposition of MGNC staff after the purchase date. Because MGNC continue to manage the SDCC practice after the date of purchase with existing staff shared by MGNC and UCSD, it would have been difficult to accurately determine future staffing needs before the contract was signed. However, staff resources are such an integral part of medical practice management, a contract reference to staffing in future agreements would facilitate related UCSDHS HR actions.

As part of the transition, UCSD Pharmacy Administration conducted a pharmaceutical inventory. Although the contract listed pharmacy inventory as an excluded asset, UCSDHS management decided to purchase the inventory soon after the date of purchase to provide continuity of patient care. This would likely be true for future clinical practice acquisitions when the medical specialty relies on pharmaceuticals to complete daily patient treatments.

MSA

BUS-49 Sec XIII: *Contracting with Third Parties to Process Cash and Cash Equivalents (Attachment B)*, requires that the UC Office of the President Banking Services Group approve and monitor third party agreements when contractors receive payments on behalf of the University into non-Regents bank accounts. UCSDHS management was not aware of this requirement, so did not request approval.

Our review of the MSA identified the following issues:

- Financial reporting requirements, including the format, basis or content of monthly financial statements were not specified.
- The fixed expense budget included \$35,000 for employee welfare without an explanation of the type of expenses that would be included in that category. During our review, SDCC management provided a list of items

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allocable to these funds including, but not limited to, staff recognition awards and year-end bonuses, which were common practice prior to the acquisition. In addition, we were advised that these expenses were reviewed and approved by UCSD management prior to the purchase date.

- The MSA included \$2,200 for business license expense, and \$1,400 for property taxes on equipment and furnishings. The University has been granted an exemption from paying licenses and real estate property taxes. Additional review may be needed to determine whether (1) budgeted tax payments were associated with property that transferred to UCSD at the date of purchase or for joint use items; and (2) taxes were assessed for a period prior to purchase to determine whether UCSDHS or MGNC should be responsible for the tax payments.

Inconsistent information noted within the MSA did increase the risk of inappropriate payments or activity, so those items were forwarded to the Medical Group CEO during the course of our review.

Because neither the purchase agreement nor the MSA referenced the implementation of UC and UCSDHS policies and guidelines related to business operations, they were not addressed during the transition. As a result, changes to business practices required by policy had not been implemented by MGNC when AMAS conducted audit fieldwork. Per UCSDHS management, there was an understanding that since MGNC had administrative responsibilities for SDCC; MGNC policies and procedures would continue to apply at SDCC after the date of purchase. Management also indicated that they were advised that UCSDHS policies were not applicable until SDCC employees made the transition to UCSDHS.

To minimize post purchase uncertainties and corrective actions a model contract and MSA terms and exhibits should be considered for any future medical practice acquisition to streamline the transition process.

Management Corrective Actions:

UCSDHS management will:

1. Expand the review of draft purchase agreements and MSAs to Human Resources and other key UCSDHS departments with a role in contract performance to ensure that required contract terms and conditions are included.

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2. Ensure that a final copy of each agreement be maintained on file in the SOM Business Contracting Office.
3. Reevaluate the current MGNC MSA to ensure that the terms and conditions are correctly stated and consistent with management expectations.
4. Implement the corrective actions included in *Attachment A*.

2. Business Transition

The scope of authority of the UCSDHS onsite Manager did not extend to the implementation of changes to all aspects of SDCC operations to ensure consistency with UCSD and UCSDHS business practices.

UCSDHS management convened three groups to facilitate the transition, including the Oversight Committee, Transition Team Committee and Information Technology (IT) Group. Each team included representatives from SDCC and UCSDHS managements; and met monthly or weekly as needed. In addition, representatives from UCSDHS departments with a role in clinic administrative and regulatory management were contacted to provide their expertise to assess needs and establish new processes after the purchase was completed.

After the completion of audit fieldwork, UCSDHS management advised AMAS that the MCC MSO with expertise in Oncology practice operations was co-located at the MCC clinics and SDCC to help with the practice transition.

We were advised that the MCC MSO facilitated the transition through providing on-site support to the UCSDHS Associate Administrator (who remained the primary contact for clinic operations and business issues), and other departments. For example, the MCC MSO participated in Transition Team Committee meetings to help ensure that the issues raised by those groups were addressed. She served on the IT Group and performed a coordinating role in the Epic electronic health record implementation (completed in October 2012). She was also one of the primary contacts for the UCSDHS HR Recruiting Manager during the MGNC/SDCC staff transition to UCSDHS employments in June and July of 2012. However, AMAS was not directed to the MCC MSO by persons interviewed at SDCC during the audit, and other SDCC staff and UCSDHS departments involved in facilitating operational changes did not refer to the MCC MSO as their primary contact. Therefore, it did not appear that her scope of authority extended to all SDCC clinic operations, and business practices that were not

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processed through MGNC systems. Had the MCC MSO been designated the authority to coordinate and implement UCSDHS financial and operational policies and processes; it is likely that identified instances of UC and UCSDHS policy non-compliance noted in ***Attachment A*** would not have occurred.

Management Corrective Actions:

1. UCSDHS management transitioned SDCC staff to UCSD employment effective July 1, 2012; but will consider whether the on-site MCC MSO should assist with defining additional procedures and systems scheduled for implementation.
2. UCSDHS management will consider expanding the responsibilities and scope of authority for the onsite Manager to include management, coordination and implementation of all business systems and operations for future practice acquisitions.

B. Staff Resources

SDCC and MGNC continue to share staff without the implementation of a salary reimbursement arrangement that has been vetted by Human Resources.

As previously noted, the purchase agreement was silent about hiring SDCC staff at a future date and/or any other SDCC staff payment arrangement. However, based on additional discussion and assessment of operations, UCSDHS hired 50 SDCC employees as of July 1, 2012. Of those, 15 were administrative staff hired at 100% who continued to provide services to MGNC and the other medical practices managed by MGNC after July 1.

We learned while conducting staff interviews that several of the administrative SDCC staff continued to provide a significant amount of time on MGNC responsibilities, including the management of the MGNC Internal Medicine practice and the UCSDHS Concierge practice after July 1. Administrative staff was also tasked with reconciling and transferring payroll expenses between UCSDHS and the MGNC. Payment transfers were prepared by staff as part of the monthly financial account reconciliation process to allocate revenue to UCSDHS when patients made payments to MGNC that included UCSDHS services.

UCSDHS and MGNC managements were aware that staff who transitioned from MGNC to UCSDHS employment continued to perform services for both entities.

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At the conclusion of audit fieldwork in August 2012, an employee lease back agreement or other payment arrangement was in process, but had not been finalized.

Management Corrective Actions:

UCSDHS management has:

1. Coordinated with HR to implement a staff lease back arrangement that complies with University personnel policies.
2. Ensured that all SDCC staff members enter work time into the Huntington Business System (HBS) timekeeping application in a manner consistent with Ambulatory Care standards.
3. Coordinated with MGNC management to reconcile and process reimbursements owed to UCSDHS by the end of the 2012 calendar year for shared staff services already provided to MGNC.

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Observations and Management Corrective Actions Related to Policy Non-Compliance
Attachment A

Finding Title	Observation	Policy/Reference	Corrective Action/Recommendation
Pharmacy Accounts Receivable (A/R) Payments	<p><u>Observations</u></p> <ul style="list-style-type: none"> • Pharmacy copayments processed by SDCC are deposited in a UCSDHS bank account. • Payments for SDCC Pharmacy payer reimbursements continued to be deposited in the MGNC bank account and transferred to UCSDHS as part of the monthly reconciliation process performed by SDCC staff. • UCSDHS management has requested that this process not be changed, pending the implementation of the Epic system at SDCC. <p><u>Compensating Controls/Impact</u></p> <ul style="list-style-type: none"> • SDCC administrative staff members (now UCSDHS employees) reconcile the MGNC bank account and perform the monthly income reconciliations and transfers of funds. • When Epic is implemented, all reimbursements will be directed UCSDHS bank account lock box. <p>Separating SDCC and MGNC payments at the earliest point possible will eliminate the extra reconciliation procedures currently required.</p>	<p>BUS-49 Sec XIII: <i>Contracting with Third Parties to Process Cash and Cash Equivalents (See excerpt of policy Attachment B)</i></p>	<p><u>Management Corrective Action:</u></p> <p>This issue will be resolved when the retail pharmacy is opened at the Encinitas site in Fiscal Year 2013-14. Payment pathways will remain unchanged until that occurs to minimize disruption to current business processes.</p>
Credit Card Payments	<p><u>Observation</u></p> <p>Payments collected by SDCC and the UCSDHS Concierge practice, co-located in Encinitas, were processed using the SDCC credit card machine. As a result, Concierge income was deposited into the SDCC bank account.</p> <p><u>Compensating Controls/Impact</u></p> <ul style="list-style-type: none"> • Monies collected via the SDCC credit card terminals were deposited into SDCC accounts and then reallocated to the Concierge practice based on a monthly manual reconciliation and adjustment process. 	<p>BUS-49, <i>Cash and Cash Equivalents Received (See excerpt of policy Attachment B)</i></p>	<p><u>Management Corrective Action:</u></p> <p>UCSDHS management has purchased a credit card machine for the Concierge practice to ensure that office co-payments and other Concierge payments are directly deposited to the appropriate bank account.</p>

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Attachment A

<i>Finding Title</i>	<i>Observation</i>	<i>Policy/Reference</i>	<i>Corrective Action/Recommendation</i>
	<ul style="list-style-type: none"> Processing Concierge payments using the SDCC device requires staff to identify and transfer Concierge income during the monthly reconciliation process. This practice increases staff workload and could result in misapplied payments. 		
SDCC Cash Management Practices	<p><u>Observations</u> The following SDCC cash handling procedures did not comply with University policy:</p> <ul style="list-style-type: none"> Deposits were submitted to the bank once or twice a week, and the deposit amount was greater than \$500 in many cases. BUS 49 requires that sub cashiering and department deposits be deposited in the bank or main cashier at least weekly or when collections exceed \$500. Deposits held overnight that totaled more than \$1,000 were stored in a locked drawer. Policy requires that cash receipts held more than one day be stored in a policy compliant safe. SDCC deposits were stored in the same locked drawer as deposits from the Concierge and MGNC practices. BUS 49 requires that only funds or property related to University operations be stored in the same locking receptacle. Deposits were transferred from the Encinitas location to the Vista location using a local courier without maintaining a cash transfer log. Policy requires that cash transfers between custodians be documented to protect the financial assets and individuals involved in the transfer. <p><u>Impact</u> Inadequate cash handling controls may result in misappropriation of University assets.</p>	BUS-49, <i>Cash and Cash Equivalents Received (See excerpt of policy Attachment B)</i>	<p><u>Management Corrective Actions:</u> UCSDHS management has:</p> <ol style="list-style-type: none"> Developed a plan to submit deposits weekly or whenever they total more than \$500. Purchased a safe that is compliant with policy requirements. Secured SDCC and Concierge deposits separately from MGNC deposits. Established a log of all transfers of custody and will have couriers sign for all deposits they transport.

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Attachment A

<i>Finding Title</i>	<i>Observation</i>	<i>Policy/Reference</i>	<i>Corrective Action/Recommendation</i>
Petty Cash	<p><u>Observation</u> Petty Cash fund management did not comply with UCSD policy. Specifically, the Petty Cash fund must be preapproved by the UCSD Accounting Office at the expenditure dollar limitation (usually \$50); and replenished by providing receipts to support cash disbursements attached to a request for petty cash reimbursement form. A Certificate of Possession form must also be submitted to the Accounting Office prior to June 30th of every year.</p> <p><u>Compensating Controls/Impact</u> Supporting receipts were retained and the fund was reconciled with two staff present. The fund was also appropriately secured.</p> <p>Although the Petty Cash fund controls were adequate, the University was not aware that the fund existed and did not have the information needed to provide fund oversight.</p>	UCSD PPM 300-10: <i>Petty Cash Funds</i> and BUS-49 Sec XIV.	<p><u>Management Corrective Action:</u> SDCC and the SOM Controller will determine whether a petty cash fund is needed. If the fund is retained, SDCC staff members will be advised of petty cash policy requirements to ensure that required approvals are obtained and on file.</p>
Marketing/Outreach Expense	<p><u>Observation</u></p> <ul style="list-style-type: none"> • Petty Cash funds were used to pay for incidental marketing expenses. • AMAS was advised by SDCC staff that SDCC would occasionally reimburse from petty cash funds for marketing expenses associated with outreach efforts. • Medical Center Policy states that petty cash should only be used for items needed for clinic operations. <p><u>Impact</u> Marketing/outreach expenses are typically subject to a budget and approval process, which would be bypassed if those costs were paid from a petty cash account.</p>	<p>Medical Center Policy 721.1: <i>Petty Cash Fund</i></p> <p>BUS-49, <i>Cash and Cash Equivalents Received (See excerpt of policy Attachment B)</i></p>	<p><u>Management Corrective Action:</u> UCSDHS management will develop a marketing/outreach expense approval and reimbursement process that complies with UCSD policy.</p>
A/R Write Off Process	<p><u>Observation</u> SDCC was not aware of the UCSDHS policy and process for managing past due accounts. As a result, the A/R included aged accounts with questionable collectability.</p>	UC Accounting Manual Chapter H-576-60; and <i>Professional Fee A/R</i> , Chapter H-241-7	<p><u>Management Corrective Action:</u> Medical Group management will implement appropriate A/R management procedures at SDCC and provide training to personnel as needed.</p>

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Attachment A

<i>Finding Title</i>	<i>Observation</i>	<i>Policy/Reference</i>	<i>Corrective Action/Recommendation</i>
	<p>The UC Accounting Manual outlines procedures for managing Hospital and Clinic A/R. The procedures discuss the establishment of an allowance for doubtful accounts and require that uncollectible accounts be written off with the appropriate authorization after due diligence has been performed.</p> <p><u>Impact</u> Receivables management is an integral revenue cycle process. The management of aged account balances in accordance with UCSDHS guidelines will help to ensure that the A/R is appropriately valued in the financial statements.</p>		
Vendor Relations	<p><u>Observations</u></p> <ul style="list-style-type: none"> • During our tour of the Vista facility, AMAS observed that a pharmaceutical company representative provided lunch to the SDCC staff. • Through interviews with staff we learned that this occurred frequently. • UC and UCSDHS policies prohibit physicians and staff from accepting gifts from vendor representatives. <p><u>Impacts</u> Gifts and food offered by pharmaceutical company representatives may unduly influence physician and staff purchasing decisions. The acceptance of gifts and drug samples may be perceived as UCSDHS endorsement of the product or brand.</p>	MCP 401.1, <i>Acceptance, Processing & Acknowledgement of Gifts to the UC San Diego Health System</i> ; and MCP 639.2 <i>Activities of Pharmacy/Medical/Technology Company Representatives; and the UC Health Care Vendor Relations Policy</i>	<p><u>Management Corrective Action:</u> UCSDHS management will ensure that SDCC personnel are aware of and comply with the requirements of the UC and UCSDHS vendor relations policies.</p>
Chemotherapy Drug Administration	<p><u>Observations</u></p> <ul style="list-style-type: none"> • The patient's identity was not verified prior to administering drugs. • Pharmacists were not completing a secondary review 	MCP 300: <i>Patient Identification</i> ; MCP 323.1 <i>Hazardous Drugs/Antineoplastic (Chemotherapy & Biotherapy) Agents: Handling Precautions</i> ,	<p><u>Management Corrective Actions:</u> UCSDHS and SDCC management:</p> <ol style="list-style-type: none"> 1. Hired additional Pharmacists, which will help to ensure that a Pharmacist is available to perform secondary reviews.

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Observations and Management Corrective Actions Related to Policy Non-Compliance
Attachment A

<i>Finding Title</i>	<i>Observation</i>	<i>Policy/Reference</i>	<i>Corrective Action/Recommendation</i>
	<p>of drugs mixed by Pharmacy Technicians prior to administration.</p> <ul style="list-style-type: none"> • Per UCSD policy, prior to administering drugs or blood products, taking blood samples and other specimens for clinical testing, or providing other treatments or procedures, the healthcare professional providing the care is responsible for verifying the patient's identity using two patient identifiers: patient name and patient medical record number. • Policy also requires that a second review of drugs to be administered be performed as stated in Procedures and Responsibilities Section III.8. <p><u>Impact</u> Without a verification of the patient's identity and a secondary review of drugs prior to administration, errors could occur and compromise patient safety.</p>	<p><i>Staff Education and Administration</i></p> <p>Section III.8 of MCP 323.1: <i>“When the drug is ready, verify the order against the drug label with another chemotherapy Nurse or with a Pharmacist. Verify the patient’s name, medical record number, drug, dose and route, rate & volume.”</i></p>	<p>2. Required that SDCC operating procedures be revised to be compliant with MCP 300 and MCP 323.1.</p>
<p>Medical Assistant (MA) Scope of Practice</p>	<p><u>Observations</u></p> <ul style="list-style-type: none"> • SDCC MAs performed two tasks that they would not be allowed to perform in a hospital based clinic. • During our review we noted that SDCC MAs were allowed to delete medications from a patient's electronic health record and administer eye drops, topical sprays and lubricants. Neither of these tasks was defined within the MA scope of practice for UCSDHS hospital based clinics. <p><u>Impact</u> Although neither location has been licensed as a hospital based clinic, UCSD general practice standards for the MA scope of practice should be adopted at SDCC to reduce risk and ensure consistency at all locations.</p>	<p><i>UCSDHS – Ambulatory Care, Scope of Practice Reference for Medical Assistants</i></p>	<p><u>Management Corrective Action:</u> UCSDHS management has updated and implemented the scope of practice for MAs at both locations to be consistent with UCSDHS policy and state regulations.</p>

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Business and Finance Bulletin (BUS) 49 – Policy for Cash and Cash Equivalents Received
Attachment B

BUS 49 Policy Citation	Requirement	Brief Description	Applicable to:
IV. 1 (p8)	Employee's requirements	Complete a background check, obtain cash-handling training, and establish bondable status under the University insurance program.	All employees who have access to cash resources.
VIII. A.1 (p14)	Separation of duties	No single person should have complete control over cash handling, recording, and authorization of cash when received.	Every individual who is responsible for cash processing.
VIII. B. 5.3 (p16)	Voided receipts	All voided receipts must be retained with supervisor's signature approval.	All receipts
IX.3 (p25)	Deposit in transit	Deposit should be protected from loss by armored car services or police protection if necessary.	All deposits
IX.4 (p25)	Cash storage	Except when signing out by cashier, cash should be kept in a safe or in another secure place.	Cash and cash equivalents
IX. 5 (p25)	Safe requirements	<ul style="list-style-type: none"> • Lockable receptacle • Safe • Steal-door safe, door thickness: 1 in, wall thickness: ½ in • TL-15 composite safe or better • TL-30 steal safe 	<ul style="list-style-type: none"> • Up to \$1,000 • \$1,001 to \$2,500 • \$2,501 to \$25,000 • \$25,001 to \$250,000 • Over \$250,000
IX.6 and IX. 7 (p25)	Robbery alarm	<ul style="list-style-type: none"> • Units shall install a manual robbery alarm. • Units shall install an automated alarm system. 	<ul style="list-style-type: none"> • More than \$2,500 of cash and securities regularly on hand. • More than \$25,000 of cash and securities on hand.
IX. 8 (p25)	Safe's combination	Combination is only given to authorized individuals who then must commit it to memory. A record of combination, sealed and opened only under double custody to prevent undetected access, must be maintained away from the safe.	All safes

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BUS 49 Policy Citation	Requirement	Brief Description	Applicable to:
IX.9 (p26)	Safe location	Placed so that others persons cannot view the combination.	All safes
IX. 10 (p26)	Safe protection	As practical, safe must be locked during business hours.	Business hours
IX. 11 (p26)	Change of safe combination	Combination must be changed at least one a year, and when the person who knows the combination leaves the job.	All safes
IX.12 (p26)	Compartments in the safe	Each cashier must be provided with separate lockable compartment to which he/she has access to.	All safes
IX.14 (p26)	Station Security	Police Department must review the physical setup (should be protected with doors and windows, surveillance cameras).	If a station collects more than \$7,500 daily.
IX.15 (p26)	Training	Training must be taken at least annually.	All individuals who handle cash.
IX.16 (p26)	Transporting cash from cashier to bank	Transport between cashier and the bank must be protected.	Deposits
IX.17 (p27)	Transporting cash from unit to cashier	<ul style="list-style-type: none"> • Use armored car service, or • by employees, if amount exceeds \$2,500, employees should be escorted by campus security for police; and, • Interoffice mail for endorsed checks and cash equivalent. 	All transfers
X.A.1 to X.A.6 (p26)	Accountability of cash and deposit	<ul style="list-style-type: none"> • Dual custody for validation and preparation, • Cannot be done outside of deposit area, • Cash collection report must be accompanied with the deposit, • Cash deposit must be counted under dual control, • Report of cash recorded must be sent daily to Accounting office with supporting documentation. 	Deposits

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BUS 49 Policy Citation	Requirement	Brief Description	Applicable to:
X.B.1 to X.B.3 (p28)	Timely deposits	<ul style="list-style-type: none"> Current day collections must be deposited at the same day, or the following business day. Sub-cashiering and Departments deposit to main cashier at least weekly for collections exceeds \$500. 	Deposits
XIII.1(p31) XIII.2 (p31)	Approval of third party Review of third party	<p>Banking Services Group (BSG) must approve third party relationship if UC funds are deposited in a non-UC Regents bank account.</p> <p>Before campus enters into agreement, BSG must review third party's background, capabilities, financial condition and references.</p>	Third parties: <ul style="list-style-type: none"> Lockbox services Web/Internet interfaces to internal/external clients Processing cash & equivalents Processing electronic payments, particularly ACH entries
XIII.3.(p32)	BCG annual review	Review to include assessment of financial soundness and adequacy of services provided.	Third party processes \$100-\$500K annually.
XIII.4 (p32)	BCG quarterly review	Review for financial soundness and adequacy.	Third party processes more than \$500K per year.
XIII.5(p32)	Third party agreement University named as Payee Approval of Insurance Carriers	<p>University approved contract that requires at a minimum the same level of protection, regulatory compliance, insurance, bonding, accurate and timely handling of cash, cash equivalents and/or ACH transactions and data, as is established for the University itself by this Bulletin.</p> <p>The University is named as sole loss-payee on any insurance and or bonding agreements.</p> <p>All insurance carriers that provide protection under third party agreements to the University must be approved by Office of the President Risk Services.</p>	Third parties that assist University or campuses with management of cash or equivalents.
XIV.1 (p32)	Petty cash and change fund protection	Must protect from loss	Operating units that require petty cash and change funds.

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BUS 49 Policy Citation	Requirement	Brief Description	Applicable to:
XIV.4 (p33)	Count of petty cash and change fund	Cash count and verification of change and petty cash shall be performed on a periodic basis (at least quarterly), by someone other than fund custodian. This process must be documented and reported to Central Accounting Office.	Operating units that require petty cash and change funds.